ALFRED NZO
DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Financial statements
for the year ended 30 June 2016

General Information

Country of incorporation and domicile	South Africa
Mayoral committee	OUT GOING COUNCILLORS:
Executive Mayor	N Diko
	S Mehlomakhulu (Deputy Executive Mayor)
	S Sello (Speaker)
	B N Tobo (Chief Whip)
	P B Mabengu
	B B Maningi
	Z Busuku
	Z Lwana
	M M Gqola
	V N S Mdingazwe
	P Nyangana
	P Simramza (MPAC Chair)
	D Lugayeni
Councillors	B S Mbewu
	N Voyi
	N Booi
	A Ngconjana
	N S Pikwa
	S K Mnukwa
	T A Mambi
	F N Ngonyolo
	A Z Gwebani
	V C Sigalelana
	J Munyu
	N B Nkomo
	V C Sigalelana
	S B Macuphe
	N E Kotelana
	Z Mhlwazi
	T H Kango
	B Matshoba
	P Mfingwana
	A Mbizafa
	U G Makanda
	N N Mhlelembana
	T Maphasa
	M M Mpepanduku
	IN COMING COUNCILLORS
	B L Mzikhulu
	S Mehlomakulu
	P T Sobuthongo
	N N Nqoko
	S A Tobo
	S A Sello
	K S Phangwa
	M M Twabu
	N Nkula

General Information

	S Kulu K J Magangana N Msokana T P Mtjope P N Mankahla V Ngesi N T Langa N L Ndamase M Makhandaniso B Betwayo M Mdolo E Voko Z Mhlwazi N Bongwana L G Mcambalala F Mbuyelwa N F Sobazile L Sabuka A M Specman P A Mohale N B Nkomo W P Leballo C L Nxesi N Njobe W B Potwana L S Maqhashalala L L Nqatsha H N Dandala S A N Cekeshe S S Dangisa F P Sontsi
Grading of local authority	Grade 4
Accounting Officer	Z H Sikhundla
Acting Chief Finance Officer (CFO)	N Mngomezulu
Registered office	Erf 1400 Ntsizwa Street 4735
Business address	Erf 1400 Ntsizwa Street 4735
Postal address	P O Box X511 Mount Ayliff 4735
Bankers	First National Bank
Auditors	Auditor General SA

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The reports and statements set out below comprise the financial statements presented to the ANDM council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ASB	Acounting Standards Board

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The acccounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or municipality in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or municipality.

The municipality is largely dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are reviewed by the municipality's audit committe.

The audit committee is responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 73, which have been prepared on the going concern basis, were tabled to the council on 30 August 2016 and were signed on its behalf by:

Accounting Officer - Z H Sikhundla

Accounting Officer's Report

The Accounting Officer submit his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality is R 392,106,771 (2015: surplus R 332,444,386) .

Other comment

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Staff members affiliated to the South African Municipal Workers Union (SAMWU) engaged in an unprotected strike for a period of two weeks from 24 June 2016 till
During this period there was total shutdown of the municipality.
Municipal elections that were held on the 3rd of August 2016 saw the disolvement of the old council and an establishment of the new council. The names of the new council members are in the general information page.

4. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

5. Interest in controlled entities

Name of controlled entity	Country of incorporation	Shareholding %
Alfred Nzo Development Agency	Republic of South Africa	100

Details of the entity's investment in controlled entities are set out in note 6.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	9	5,792,979	5,949,843
Investments	8	-	52,795,675
Receivables from exchange transactions	10	30,285,110	29,520,780
Receivables from non-exchange transactions	11	1,078,737	1,112,175
VAT receivable	12	16,641,587	40,581,107
Employee benefit asset		-	-
Cash and cash equivalents	13	27,356,523	73,822,209
		81,154,936	**203,781,789**
Non-Current Assets			
Property, plant and equipment	3	2,827,706,666	2,367,027,169
Intangible assets	4	3,117,620	3,460,110
Heritage assets	5	131,100	131,100
Investments in controlled entities	6	100	100
Long Term Receivables	7	115,463	76,783
Investments	8	39,788,091	36,284,293
		2,870,859,040	**2,406,979,555**
Non-Current Assets		2,870,859,040	2,406,979,555
Current Assets		81,154,936	203,781,789
Total Assets		**2,952,013,976**	**2,610,761,344**
Liabilities			
Current Liabilities			
Finance lease obligation	14	10,585,841	6,661,775
Payables from exchange transactions	19	125,753,854	192,627,165
Unspent conditional grants and receipts	15	8,533,610	5,720,069
Provisions	16	15,525,230	14,134,941
Current portion of long term loan	17	839,564	789,840
Payables from non exchange transactions	18	1,060,875	2,020,231
Bank overdraft	13	14,616,286	-
		176,915,260	**221,954,021**
Non-Current Liabilities			
Finance lease obligation	14	5,750,980	10,699,497
Provisions	16	5,895,707	5,956,482
Long term loan	17	8,070,300	8,661,975
		19,716,987	**25,317,954**
Non-Current Liabilities		19,716,987	25,317,954
Current Liabilities		176,915,260	221,954,021
Total Liabilities		**196,632,247**	**247,271,975**
Assets		2,952,013,976	2,610,761,344
Liabilities		(196,632,247)	(247,271,975)
Net Assets		**2,755,381,729**	**2,363,489,369**
Reserves			
Government Grant Reserve		1,517,942,029	1,517,942,029
Accumulated surplus		1,237,439,700	845,547,340
Total Net Assets		**2,755,381,729**	**2,363,489,369**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	15,840,259	18,766,504
Imputed Interest on Service Charges		9,836,961	7,440,709
Rental of facilities and equipment	36	233,981	183,728
Agency services		19,915	31,184
Other income	26	2,965,778	3,131,313
Interest received - investment	32	11,871,083	19,718,924
Total revenue from exchange transactions		**40,767,977**	**49,272,362**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	23	902,768,510	819,973,068
Public contributions and donations	24	1,430,028	-
Total revenue from non-exchange transactions		**904,198,538**	**819,973,068**
		40,767,977	49,272,362
		904,198,538	819,973,068
Total revenue	21	**944,966,515**	**869,245,430**
Expenditure			
General Expenses	27	125,262,612	115,537,887
Employee related costs	28	195,492,188	186,460,926
Remuneration of councillors	29	8,687,645	8,606,675
Litigation expenditure	30	11,483,958	-
Debt Impairment	31	22,128,617	8,889,417
Depreciation and amortisation	33	58,708,680	59,373,089
Finance costs	34	3,781,212	2,063,886
Repairs and maintenance		42,202,159	30,862,173
Bulk purchases	39	5,349,607	4,077,989
Contracted services	37	40,192,599	42,387,888
Transfers and Subsidies	38	35,229,682	81,672,550
Total expenditure		**548,518,959**	**539,932,480**
		-	-
Total revenue		944,966,515	869,245,430
Total expenditure		(548,518,959)	(539,932,480)
Operating surplus		**396,447,556**	**329,312,950**
Gain / (Loss) on disposal of assets		(4,408,099)	(337,213)
Actuarial gains/losses		67,314	3,468,649
		(4,340,785)	**3,131,436**
Surplus before taxation		(392,106,771)	(332,444,386)
Taxation		-	-
Surplus for the year		**392,106,771**	**332,444,386**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	1,517,942,029	513,102,954	2,031,044,983
Balance at 01 July 2014 as restated*	**1,517,942,029**	**513,102,954**	**2,031,044,983**
Changes in net assets			
Surplus for the year	-	332,444,386	332,444,386
Total changes	-	332,444,386	332,444,386
Restated* Balance at 01 July 2015	**1,517,942,029**	**845,332,929**	**2,363,274,958**
Changes in net assets			
Surplus for the year	-	392,106,771	392,106,771
Total changes	-	392,106,771	392,106,771
Balance at 30 June 2016	**1,517,942,029**	**1,237,439,700**	**2,755,381,729**

Note(s)

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Service Charges		9,233,985	13,325,959
Rental of Facilities and Equipment		233,981	183,728
Other Receipts		2,965,778	3,131,313
Interest Income		11,871,083	19,718,924
Government Grants and Services		906,745,892	815,860,156
Vat Refund		-	46,400,594
		931,050,719	898,620,674
Payments			
Employee costs		(198,163,821)	(195,207,258)
Suppliers		(216,184,227)	(197,394,411)
Finance costs		(3,781,212)	(2,063,886)
Repairs and maintanance		(42,202,159)	(30,862,173)
Contracted Services		(40,192,599)	(42,387,889)
Bulk Purchases		(4,868,612)	(3,297,147)
		(505,392,630)	(471,212,764)
Total receipts		931,050,719	898,620,674
Total payments		(505,392,630)	(471,212,764)
Undefined difference compared to the cash generated from operations note		**25,321,899**	**2**
Net cash flows from operating activities	40	**450,979,988**	**427,407,912**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(503,699,966)	(503,546,516)
Proceeds from sale of financial assets		49,291,877	34,847,628
Net cash flows from investing activities		**(502,070,274)**	**(517,047,291)**
Cash flows from financing activities			
Movement in long term loan		(541,951)	(19,452,088)
Movement in operating lease liability		-	(38,211)
Movement in operating lease asset		-	1,029
Finance lease payments		(1,024,451)	-
Net cash flows from financing activities		**(1,566,402)**	**(19,489,270)**
Net increase/(decrease) in cash and cash equivalents		**(52,656,688)**	**(109,128,649)**
Cash and cash equivalents at the beginning of the year		73,822,209	134,602,455
Cash and cash equivalents at the end of the year	13	**21,165,521**	**25,473,806**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	34,159,000	(11,100,000)	**23,059,000**	25,670,224	**2,611,224**	)
Rental of facilities and equipment	354,114	(7,000)	**347,114**	233,981	**(113,133)**	d)
Agency services	30,000	10,000	**40,000**	19,915	**(20,085)**	
Other Income	1,680,000	(357,000)	**1,323,000**	2,965,778	**1,642,778**	c).
Interest received - investment	37,000,000	(24,800,000)	**12,200,000**	11,871,083	**(328,917)**	
Total revenue from exchange transactions	**73,223,114**	**(36,254,000)**	**36,969,114**	**40,760,981**	**3,791,867**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,145,010,030	50,310,934	**1,195,320,964**	902,768,510	**(292,552,454)**	
Public contributions and donations	-	-	**-**	1,430,028	**1,430,028**	
Total revenue from non-exchange transactions	**1,145,010,030**	**50,310,934**	**1,195,320,964**	**904,198,538**	**(291,122,426)**	
Total revenue from exchange transactions'	73,223,114	(36,254,000)	**36,969,114**	40,760,981	**3,791,867**	
Total revenue from non-exchange transactions'	1,145,010,030	50,310,934	**1,195,320,964**	904,198,538	**(291,122,426)**	
Total revenue	**1,218,233,144**	**14,056,934**	**1,232,290,078**	**944,959,519**	**(287,330,559)**	
Expenditure						
Employee Cost	(195,321,763)	(9,167,565)	**(204,489,328)**	(195,492,188)	**8,997,140**	
Remuneration of councillors	(9,000,637)	-	**(9,000,637)**	(8,687,645)	**312,992**	
Administration	-	-	**-**	(11,483,958)	**(11,483,958)**	
Depreciation and amortisation	(52,500,000)	10,000,000	**(42,500,000)**	(58,708,680)	**(16,208,680)**	
Finance costs	(1,140,000)	-	**(1,140,000)**	(3,781,212)	**(2,641,212)**	
Debt Impairment	(15,000,000)	-	**(15,000,000)**	(22,128,617)	**(7,128,617)**	
Repairs and maintenance	(41,181,984)	5,455,536	**(35,726,448)**	(42,202,159)	**(6,475,711)**	a)
Bulk purchases	(3,500,000)	(654,438)	**(4,154,438)**	(5,349,607)	**(1,195,169)**	.
Transfers and Subsidies	(15,000,000)	(2,000,000)	**(17,000,000)**	(35,229,682)	**(18,229,682)**	b)
General Expenses	(162,187,664)	(105,871,399)	**(268,059,063)**	(202,572,289)	**65,486,774**	
Total expenditure	**(494,832,048)**	**(102,237,866)**	**(597,069,914)**	**(585,636,037)**	**11,433,877**	
	-	-	**-**	-	**-**	
	-	-	**-**	-	**-**	
Operating surplus / (deficit)	**723,401,096**	**(88,180,932)**	**632,212,164**	**(585,626,587)**	**11,443,327**	
Loss on disposal of assets and liabilities	-	-	**-**	(4,408,099)	**(4,408,099)**	
Actuarial gains/losses	-	-	**-**	67,314	**67,314**	
	-	**-**	**-**	**(4,340,785)**	**(4,340,785)**	
	-	-	**-**	-	**-**	
	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus before Capex	**-**	**-**	**-**	**-**	**-**	
Capex	723,401,033	(88,189,175)	**635,211,858**	-	**(635,211,858)**	
	(723,401,033)	**(128,801)**	**(635,211,858)**	**-**	**635,211,858**	

a) There were no major repairs during the year.
b) Some projects were not implemented as at year end
c) Budget includes DBSA loan that was not received and reserves
d).
e)

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

1.2 Property, plant and equipment (continued)

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or municipality to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or municipality.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or municipality in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	
• Improvements	5-40
• Plant and Equipment	2-15
Furniture and fixtures	
• Furniture and fixtures	5-10
Motor vehicles	
• Motor vehicles	5-10
Office equipment	
• Office equipment	2-8
Infrastructure	
• Sewerage	11-84
• Water	4-100
• Roads	10-100
Other property, plant and equipment	
• Bins and Containers	5-15
• Computer Equipment	2-10
• Emergency Equipment	2-10
• Other Assets	2-8
Specialised vehicles	
• Specialised vehicles	5-15

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or municipality unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or municipality when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Property, plant and equipment (continued)

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2-5 years

1.3 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or municipality when the asset is derecognised.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the munipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.4 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or municipality to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or municipality.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or municipality. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or municipality when the heritage asset is derecognised.

1.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1.6 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality\; or
  - a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality ; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the mnicipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1.6 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.6 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unlisted Investments	Financial asset measured at amortised cost
Invest,emts in Fixed Deposit	Financial asset measured at amortised cost
Long Term Receivables	Financial asset measured at amortised cost
Recievables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents - Notice Deposits	Financial asset measured at amortised cost
Cash and cash equivalents - Call Deposits	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term liabilites	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or municipality.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or municipality when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or municipality.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or municipality.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or municipality in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or municipality.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or municipality. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

1.8 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality\ with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.12 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

1.12 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municiapality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or municipality.

1.12 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or municipality, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.13 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or municipality, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

1.16 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.21 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Accounting Policies

1.24 Budget information (continued)

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Conditional grant and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municiality has complied with any criteria, conditions or obligations embodied in the agreeent. To the extent that the criteria, conditions or obligations have not been me a liability is recognised

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 20: Related parties	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is set out in note 2 changes in accounting policy
• GRAP108: Statutory Receivables	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity expects to adopt the standard for the first time in the 2016 financial statements.

3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	14,554,457	-	14,554,457	14,554,457	-	14,554,457
Buildings	55,686,623	(18,502,364)	37,184,259	55,686,623	(16,675,669)	39,010,954
Motor vehicles	29,942,989	-	29,942,989	22,856,037	(499,322)	22,356,715
Infrastructure	1,722,338,213	(272,501,382)	1,449,836,831	1,622,428,315	(224,760,506)	1,397,667,809
Other property, plant and equipment	42,361,167	(14,423,491)	27,937,676	45,756,497	(13,093,228)	32,663,269
Assets Under Construction	1,268,250,454	-	1,268,250,454	860,773,965	-	860,773,965
Total	**3,133,133,903**	**(305,427,237)**	**2,827,706,666**	**2,622,055,894**	**(255,028,725)**	**2,367,027,169**

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	14,554,457	-	-	-	-	-	14,554,457
Buildings	39,010,954	-	-	-	(1,826,695)	-	37,184,259
Finance Leased Assets	22,356,715	10,079,342	-	-	(2,493,068)	-	29,942,989
Infrastructure	1,397,667,809	-	-	99,909,899	(47,698,077)	(42,800)	1,449,836,831
Other property, plant and equipment	32,663,269	3,184,650	(1,890,087)	-	(6,020,156)	-	27,937,676
Assets Under Construction	860,773,965	507,386,388	-	(99,909,899)	-	-	1,268,250,454
	2,367,027,169	**520,650,380**	**(1,890,087)**	**-**	**(58,037,996)**	**(42,800)**	**2,827,706,666**

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Adjustment	Additions	Transfers	Depreciation	Total
Land	14,354,457	200,000	-	-	-	14,554,457
Buildings	39,364,335	(200,000)	1,673,315	-	(1,826,696)	39,010,954
Motor vehicles	80,000	(80,000)	22,685,663	-	(328,948)	22,356,715
Infrastructure	1,140,383,677	93,747,927	-	210,609,499	(47,073,294)	1,397,667,809
Other property, plant and equipment	24,228,551	(1,219,792)	13,107,678	-	(3,453,168)	32,663,269
Assets Under Construction	679,651,169	(93,747,927)	485,480,172	(210,609,449)	-	860,773,965
	1,898,062,189	**(1,299,792)**	**522,946,828**	**50**	**(52,682,106)**	**2,367,027,169**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

4. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5,863,704	(2,746,084)	3,117,620	5,939,057	(2,478,947)	3,460,110

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	3,460,110	253,437	(595,927)	3,117,620

4. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2,568,297	2,031,304	(1,139,491)	3,460,110

5. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Reconciliation of heritage assets 2016

	Opening balance	Total
Art collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

6. Investments in controlled entities

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Alfred Nzo Devevlopment Agency		100.00 %	100.00 %	100	100

7. Long term receivables

	2016	2015
Long Term Receivables	959,829	897,508
	959,829	897,508
Provision for Impairment	(844,366)	(820,725)
	115,463	**76,783**

The long term receivables relate to car loans issued to former employees. These loans were issued at 8% per annum for 4 years.These loans have been owing since 2004. The loans have been handed over to the lawyers for collection.The recoverability of these amounts is not certain hence the provision for impairment.

Long term receivables past due but not impaired

Long Term Receivables which are making payments even though they are past due are not considered to be impaired. At 30 June 2016, R 76 783 - (2015 R251 609:

Figures in Rand	2016	2015

7. Long term receivables (continued)

Long term receivables impaired

As of 30 June 2016, Long Term Receivables of R820 725 - (2015: R609 117 -) were impaired and provided for.

The amount of the provision was R820 725 - as of 30 June 2016 (2015: R609 117 -.

8. Investments

	2016	2015
Designated at fair value		
Investec Long term investment	33,876,432	31,078,061
Nedbank Long term investment	5,911,659	5,206,232
Investec Short Term Investment	-	52,795,675
	39,788,091	**89,079,968**
	39,788,091	89,079,968
	-	-
	-	-
Total other financial assets	**39,788,091**	**89,079,968**
Non-current assets		
Designated at fair value	39,788,091	36,284,293
Current assets		
Designated at fair value	-	52,795,675
Non-current assets	39,788,091	36,284,293
Current assets	-	52,795,675
	39,788,091	**89,079,968**

Financial assets at fair value

Account	Cashbook 2016	Cashbook 2015	Bank Statement 2016	Bank Statement 2015
Investec Acc # TR 38468	33,876,432	31,078,061	33,876,432	31,078,061
Nedbank Acc #03/7881111046/0002	5,911,659	5,206,232	5,911,659	5,206,232
Investec Acc# 187973	-	52,795,675	-	52,795,675
	39,788,091	**89,079,968**	**39,788,091**	**89,079,968**

Notes to the Financial Statements

Figures in Rand	2016	2015

9. Inventories

Consumable stores	2,861,309	2,717,707
Water	2,540,684	3,021,678
Stationery	390,986	210,458
	5,792,979	**5,949,843**

9.1 Water Losses

Water stock opening balance (volumes)	205,846	204,862
Produced (volumes)	5,259,129	4,763,022
Less Water sales	(1,201,064)	(2,228,995)
Less Water Stock closing	(206,060)	(205,846)
	4,057,851	**2,533,043**

Cost of producing on cubic meter	12	15
Water loss in rands	50,032,590	37,183,224
Water loss as a % of produced	77	53

No inventories have been pledged as collateral for liabilites of the municipality

10. Receivables from exchange transactions

Consumer debtors - Water	27,534,956	27,024,126
Consumer debtors - Sewerage	2,114,885	2,079,592
Consumer debtors - Other	635,269	417,062
	30,285,110	**29,520,780**

Gross Amount

Water	102,311,060	81,668,996
Sanitation	12,287,612	10,069,352
Other	2,485,384	41,745
	117,084,056	**91,780,093**

Less Impairment Provision		
Water	(74,680,073)	(56,206,495)
Sanitation	(10,172,726)	(7,990,551)
Sundries	(1,470,346)	(21,123)
	(86,323,145)	**(64,218,169)**

Net Balances		
Water	27,630,987	25,462,501
Sewerage	2,114,885	2,078,801
Other	1,015,039	20,622
	30,760,911	**27,561,924**

Notes to the Financial Statements

Figures in Rand	2016	2015

10. Receivables from exchange transactions (continued)

Water

Current (0-30 days)	2,419,890	3,331,989
31- 60 days	1,915,344	1,370,098
61- 90 days	2,275,561	1,247,944
91- 120 days	1,466,429	2,463,902
> 120 days	94,233,836	73,174,022
	102,311,060	**81,587,955**

Sewerage

Current (0-30 days)	222,098	207,486
31 - 60 days	210,308	198,116
61 - 90 days	207,105	193,739
91 - 120 days	204,615	383,750
> 120 days	11,443,485	9,073,734
	12,287,611	**10,056,825**

Sundries

Current (0-30 days)	960,650	2,584
31 - 60 days	29,890	1,302
61 - 90 days	29,890	1,302
91 - 120 days	4,880	1,307
> 120 days	1,460,076	35,249
	2,485,386	**41,744**

Figures in Rand	2016	2015

10. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0-30 days)	1,169,128	1,130,297
31 - 60 days	1,060,061	746,993
61- 90 days	1,000,207	723,174
91- 120 days	885,768	2,433,585
>120 days	58,573,608	45,721,608
Subtotal	62,688,772	50,755,657
Less Impairment Provision	(60,888,021)	(47,700,256)
	1,800,751	**3,055,401**

Industrial/ Commercial		
Current (0-30 days)	1,766,540	457,218
31-60 days	612,507	495,796
61 -90days	931,051	492,796
91 -120 days	599,143	918,256
> 120 days	26,044,511	19,802,765
	29,953,752	22,166,831
Less: Impairment Provision	(9,624,034)	(6,221,176)
	20,329,718	**15,945,655**

Churches		
Current (0-30 days)	35,210	20,558
31- 60 days	31,930	21,312
61- 90 days	28,368	20,215
91-120 days	21,929	54,593
>120 days	1,522,378	1,190,327
Subtotal	1,639,815	1,307,005
Less Allowance for impairment	(1,611,377)	(1,280,364)
	28,438	**26,641**

National and Provincial Government		
Current (0- 30 days)	631,761	328,891
31 -60 days	451,045	526,764
61- 90 days	552,931	329,177
91- 120 days	169,083	673,323
> 120 days	19,575,019	15,568,893
Less Impairment Provision	(12,777,834)	(9,009,662)
	8,602,005	**8,417,386**

Total		
Current (0-30 days)	3,602,638	1,936,965
31- 60 days	2,155,542	1,790,865
61- 90 days	2,512,556	1,565,363
91 -120 days	1,675,923	4,080,057
> 120 days	105,715,516	82,283,593
Subtotal	115,662,175	91,656,843
Less Impairment Provision	(84,901,266)	(64,211,459)
	30,760,909	**27,445,384**

Figures in Rand	2016	2015

10. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	64,218,170	55,540,361
Provision for impairment	22,104,975	8,677,809
	86,323,145	**64,218,170**

Consumer debtors pledged as security

No consumer debtors were pledged as security during the year.

Credit

Quality of consumer receivables
The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assesed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continously monitors consumers and identified groups by reference to average payment history and incoporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened.
None of the financial assets that are fully performing have been renegotiated in the last year.

11. Receivables from non-exchange transactions

Staff Loans	1,053,251	1,086,689
Sundry Debtors	(1)	(1)
Staff Debtors	25,487	25,487
	1,078,737	**1,112,175**

Receivables from non-exchange transactions pledged as security

There are no other receivables that have been pledegd as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from excahnge transactions that are neither past due nor impaired can be assesed for indicators of impairment. The municiplity considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continously monitors the receivables by reference to average payment hitory and incorporates this information into its credit risk control. No external credit rating is perfomed.
None of the financial assets that were fully performing have been renegotiated in the last year

12. VAT receivable

VAT	16,641,587	40,581,107

Vat is payable on a cash basis, once payment has been received from Debtors, then VAT is paid over to SARS.

Figures in Rand	2016	2015

13. Cash and cash equivalents

Short Term Deposits	27,356,523	71,226,061
Bank balances	-	2,596,148
Bank overdraft	(14,616,286)	-
	12,740,237	**73,822,209**

Current assets	27,356,523	73,822,209
Current liabilities	(14,616,286)	-
	12,740,237	**73,822,209**

Short Term Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 0% to 4.5% per annum

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Main Account- Current Account # 62024932974	9,184,689	2,604,072	4,073,123	(6,893,413)	2,583,924	4,429,132
Water and Sanitation Account # 62152581586	-	-	(12,247)	-	312	(12,286)
ANDM Main Call Account #62474364553	27,581	7,345,088	45,199,132	6,402,562	7,345,088	45,130,932
Attic Account - Call Account: Account # 62027456038	212,653	718,506	683,274	212,653	718,506	683,274
DBSA-MIG Front loading	5,748	5,442	5,191	5,748	5,442	5,191
Disaster Relief Ac/Rural R.Asset # 62027457036	1,158,507	498,870	5,079	1,494,956	498,870	5,079
Dwaf Capital Account # 62058638415	8,536,574	432,674	-	3,066,982	432,674	-
EPWP Account # 62058637110	9,204	491,143	4,572	9,204	491,143	4,572
F.M.G	493,811	249,583	2,581,919	328,422	249,583	2,581,874
MWIG GRANT/LED Capacity Acccount # 62033034448	2,060,879	99,612	5,483,561	2,060,879	99,612	5,483,561
MIG Account # 62090556279	306,269	388,924	19,107,257	306,269	388,924	19,107,257
MSIG # 62058638837	676,917	360,605	194,833	377,172	360,605	194,833
Reserve fund	9,023,167	54,448,228	41,728,690	9,023,167	54,448,228	41,728,690
Rural Housing & Development Account # 62027456559	3,609,954	5,412,995	5,418,622	3,609,945	5,412,995	5,418,577
Sport & Recreation Account # 62025448855	7,043	7,641	877,368	7,043	7,641	877,323
THETHA / ISDG Account # 62058636716	891,769	766,749	921,397	451,515	766,749	921,397
Total	**36,204,765**	**73,830,132**	**126,271,771**	**20,463,104**	**73,810,296**	**126,559,406**

Notes to the Financial Statements

Figures in Rand	2016	2015

14. Finance lease obligation

Minimum lease payments due		
- within one year	11,918,141	8,314,438
- in second to fifth year inclusive	5,961,714	11,635,017
	17,879,855	19,949,455
less: future finance charges	(1,543,034)	(2,588,243)
Present value of minimum lease payments	**16,336,821**	**17,361,212**
Present value of minimum lease payments due		
- within one year	10,585,841	6,661,775
- in second to fifth year inclusive	7,450,980	10,699,437
	18,036,821	**17,361,212**
Non-current liabilities	5,750,980	10,699,497
Current liabilities	10,585,841	6,661,775
	16,336,821	**17,361,272**

The lease laibility relates to motor vehicels acquired during the 2014/2015 and 2015/2016 financial years.The lease term is 32 months with effective interest rate 11.5%. The net book values as reported under note 3 as R29 814 857 (2015:R 22 356 715).

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. .

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	(1)	(1)
Local Economic Development Capacity	-	300,000
Municipal Health Grant	634,847	(1)
WSOG	3,934,635	-
Water Conservation and Demand Management	-	279,491
Sports and Recreation	-	363,818
Infrastructure Skills Development Grant	1	324,332
Regional Bulk Grant	2,636,874	545,342
Fire and Emergency	-	868,661
Attic	-	145,874
Rural Housing	1,327,254	2,892,553
	8,533,610	**5,720,069**

The unspent conditional grants are cash backed by short term deposits. The municipality complied with the conditions attached to all the grants received to the extent of revenue recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2016	2015

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	752,728	636,677	-	1,389,405
Bonus provision	3,244,355	3,770,142	(3,244,355)	3,770,142
Non Current Long Service	5,956,482	-	(60,775)	5,895,707
Leave Pay Provision	10,137,858	227,825	-	10,365,683
	20,091,423	**4,634,644**	**(3,305,130)**	**21,420,937**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Current Long Service	860,965	(108,237)	-	752,728
Bonus Provision	2,739,229	3,244,355	(2,739,229)	3,244,355
Non Current Long Service	8,111,948	(1,294,500)	(860,966)	5,956,482
Leave Pay Provision	4,766,479	5,371,379	-	10,137,858
	16,478,621	**7,212,997**	**(3,600,195)**	**20,091,423**

	2016	2015
Non-current liabilities	5,895,707	5,956,482
Current liabilities	15,525,230	14,134,941
	21,420,937	**20,091,423**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long- service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end , 417 (2015: 411) employees were eligible for Long Service Awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows	2016	2015
Discoount rate used %	8	8
Cast inflation rate %	7	7
Net discount rate %	1	1
Expected Retirement age - Females (years) %	60	60
Expected Retirement age - Males (years) %	65	65
	-	-

Figures in Rand	2016	2015

16. Provisions (continued)

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	6,709,210	8,972,914
Current service cost	895,264	1,386,066
Interest cost	500,680	679,845
Benefits paid	(752,728)	(860,966)
Acturial losses / (gains)	(67,314)	(3,468,649)
Present Value of Fund Obligation at the end of the Year	**7,285,112**	**6,709,210**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	895,264	1,386,066
Interest cost	500,680	679,845
Acturial losses / (gains)	(67,314)	(3,468,649)
	1,328,630	**(1,402,738)**

The history of experienced adjustments is as follows:

	2016	2015	2014	2013
Present Value of Defined Value Obligation	7,285,122	6,709,210	897,291	1,432,612

17. Long term loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan

Figures in Rand	2016	2015
Development Bank of South Africa	-	-
Non Current at Amortised Cost	8,070,300	8,661,975
Current at armortised cost	839,564	789,840
	8,909,864	**9,451,815**

18. Payables from non exchange transactions

Staff loan	283,042	251,513
Unallocated receipts	777,833	1,768,718
	1,060,875	**2,020,231**

Unallocated Credits relate to customer deposits made into the municipality bank account but cant be allocated to a particular customer as the identity of the customer is unknown.

Notes to the Financial Statements

Figures in Rand	2016	2015

19. Payables from exchange transactions

Trade payables	72,696,634	167,465,243
Retentions	45,454,227	40,093,528
Third Party Payments	3,573,505	1,318,815
Alfred Nzo Development Agency	2,715	2,715
Vat Accrual	4,026,773	(16,253,136)
	125,753,854	**192,627,165**

No assets have been pledged as security for the payables from exchange transactions

20. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Unlisted Investments	-	100	100
Long term investments	39,788,091	-	39,788,091
Long term receivables	-	901,431	901,431
Trade and other receivables from exchange transactions	-	27,415,273	27,415,273
Other receivables from non-exchange transactions	-	2,967,594	2,967,594
Cash and cash equivalents	27,356,523	-	27,356,523
Vat receivable	-	16,015,184	16,015,184
	67,144,614	**47,299,582**	**114,444,196**

Financial liabilities

	At fair value	At amortised cost	Total
Finannce lease obligation	-	10,585,841	10,585,841
Long term loan	-	8,909,864	8,909,864
Payables	-	178,151,809	178,151,809
Unspent conditional grants	-	10,967,570	10,967,570
Bank overdraft	6,899,383	-	6,899,383
Long term finance lease obligation	-	5,750,980	5,750,980
Current portion fo the long term loan	-	839,564	839,564
	6,899,383	**215,205,628**	**222,105,011**

2015

Financial assets

	At fair value	At amortised cost	Total
Investment in controlled entites	-	100	100
Long term investments	89,079,968	-	89,079,968
Long term recievables	-	911,958	911,958
Trade and other receivables from exchange transactions	-	27,498,433	27,498,433
Other receivables from non-exchange transactions	-	2,047,833	2,047,833
Cash and cash equivalents	73,822,309	-	73,822,309
Vat receivable	-	40,581,107	40,581,107
	162,902,277	**71,039,431**	**233,941,708**

Figures in Rand	2016	2015

. **Financial instruments disclosure (continued)**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	6,661,775	6,661,775
Long term receivables	9,451,815	9,451,815
Payables	261,535,311	261,535,311
Unspent conditional grant	5,720,069	5,720,069
Long term finance lease obligation	10,699,437	10,699,437
Current portion of the long term loan	789,840	789,840
	294,858,247	**294,858,247**

The terms and conditons relating to the pledged assets have been disclosed on the respective financial instruments

21. Revenue

Rendering of services	9,836,961	7,440,709
Service charges	15,840,259	18,766,504
Rental of facilities and equipment	233,981	183,728
Agency services	19,915	31,184
Other income	2,965,778	3,131,313
Interest received - investment	11,871,083	19,718,924
Government grants & subsidies	902,768,510	819,973,068
Public contributions and donations	1,430,028	-
	944,966,515	**869,245,430**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	15,840,259	18,766,504
Rendering of services	9,836,961	7,440,709
Rental of facilities and equipment	233,981	183,728
Agency services	19,915	31,184
Other income	2,965,778	3,131,313
Interest received - investment	11,871,083	19,718,924
	40,767,977	**49,272,362**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	902,768,510	819,973,068
Public contributions and donations	1,430,028	-
	904,198,538	**819,973,068**

22. Service charges

Water Charges	14,287,968	16,951,215
Sewerage and sanitation charges	1,552,291	1,815,289
	15,840,259	**18,766,504**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Figures in Rand	2016	2015

23. Government grants and subsidies

Human settlement Disaster Grant	500,000	-
Finance Management Grant	1,325,000	1,250,000
Municipal Health	-	2,328,916
Municipal Water Infrastructure Grant	91,071,000	28,171,642
Local Government SETA	163,091	661,500
Equitable Share	364,950,000	342,149,000
Department of Water Grant	-	9,469
Attic	145,874	508,111
Energy Efficeincy and Demand Management	13,000,000	4,000,000
Rural Housing	1,565,299	6,827,261
Local Economic Developmemt Capacity	300,000	32,481
Municipal Systems Improvement Grant	930,000	934,000
Expanded Public Works Programme	4,853,000	8,323,000
Water Services Operation Grant	6,065,365	5,000,000
Municipal Infrastructure Grant	384,744,000	367,363,000
Regional Bulk Infrastructure Grant	27,088,241	44,138,146
Transport	2,100,000	2,104,000
Rain Water Harvest	-	901
Sports and Culture	363,818	985,018
Water Conservation and Demand Management	279,491	1,247,291
Infrastructure Skills Development Grant	3,324,331	3,939,332
	902,768,510	**819,973,068**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and also to assist poor municipalities with financing their operational expenditure.

Expanded Public Works Programme

Current-year receipts	4,853,000	8,323,000
Conditions met - transferred to revenue	(4,853,000)	(8,323,000)
	-	-

EPWP Grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintanance and the maintenance of buildings: low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines(excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land based livelihoods; social services programmers; health service programmers; and community safety programmers.

Municipal Systems Improvement Grant

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

The grant was used to establish and review policies, by laws, Internal Control Systems and the preparation of a GRAP compliant Asset Register. No funds have been withheld.

Finance Management Grant

Notes to the Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Current-year receipts	1,325,000	1,250,000
Conditions met - transferred to revenue	(1,325,000)	(1,250,000)
	-	-

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems . No funds have been withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	(1)	(1)
Current-year receipts	384,744,000	367,363,000
Conditions met - transferred to revenue	(384,744,000)	(367,363,000)
	(1)	**(1)**

The Grant is meant to eradicate basic municipal infarastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Department of Transport

Current-year receipts	2,100,000	2,104,000
Conditions met - transferred to revenue	(2,100,000)	(2,104,000)
	-	-

Local Economic Development Capacity

Balance unspent at beginning of year	300,000	(14,362)
Current-year receipts	(300,000)	300,000
Other	-	14,362
	-	**300,000**

This grant was received to assist in local economic development and the promotion of tourism. No funds have been witheld Conditions still to be met , remain liabilities (see note 15).

Thetha

Balance unspent at beginning of year	-	32,481
Other	-	(32,481)
	-	-

The grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home-based care kits. No funds have been withheld .

Municipal Health

Balance unspent at beginning of year	(1)	(1)
Current-year receipts	634,848	2,328,916
Conditions met - transferred to revenue	-	(2,328,916)
	634,847	**(1)**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Water Serivces Operation Grant

Notes to the Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Current-year receipts	10,000,000	5,000,000
Conditions met - transferred to revenue	(6,065,365)	(5,000,000)
	3,934,635	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Water Conservation and Demand Management

Balance unspent at beginning of year	279,491	279,491
Current-year receipts	-	1,247,291
Conditions met - transferred to revenue	(279,491)	(1,247,291)
	-	**279,491**

Conditions still to be met - remain liabilities (see note 15).|

This grant has been allocated to assist the municipality to establish water conservation and demand management syatems.

Sports and Culture

Balance unspent at beginning of year	363,818	363,818
Current-year receipts	-	985,019
Conditions met - transferred to revenue	(363,818)	(985,019)
	-	**363,818**

Conditions still to be met - remain liabilities (see note 15).

Disaster Management

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(500,000)	-
	-	**-**

Infrastructure Skills Development Grant

Balance unspent at beginning of year	324,332	1,263,663
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,324,331)	(3,939,331)
	1	**324,332**

Conditions still to be met - remain liabilities (see note 15).

Regional Bulk Grant

Balance unspent at beginning of year	545,342	-
Current-year receipts	29,179,773	44,683,488
Conditions met - transferred to revenue	(27,088,241)	(44,138,146)
	2,636,874	**545,342**

Conditions still to be met - remain liabilities (see note 15).

This grant was used for the construction of dams which will provide sustainable water supply to the communities of Umzimvubu and Matattiele local municipality areas. The grant is transferred from DWA.

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Fire and Emergency

Balance unspent at beginning of year	868,661	868,661
Other	(868,661)	-
	-	**868,661**

Conditions not met for a period of more than 3 years therefore amount transferred to other income.

Attic

Balance unspent at beginning of year	145,874	653,985
Conditions met - transferred to revenue	(145,874)	(508,111)
	-	**145,874**

This grant is a contribution towards addressing HIV/AIDS issues in the ares of the local municipalities in the district and was used for the purchase of drugs, home -based care kits, etc. No funds have been witheld..

Conditions still to be met - remain liabilities (see note 15).

Rural Housing

Balance unspent at beginning of year	2,892,553	5,219,814
Current-year receipts	-	4,500,000
Conditions met - transferred to revenue	(1,565,299)	(6,827,261)
	1,327,254	**2,892,553**

Conditions still to be met - remain liabilities (see note 15).

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	-	135,171
Current-year receipts	91,071,000	28,036,471
Conditions met - transferred to revenue	(91,071,000)	(28,171,642)
	-	**-**

Energy Efficiency

Current-year receipts	13,000,000	4,000,000
Conditions met - transferred to revenue	(13,000,000)	(4,000,000)
	-	**-**

24. Public contributions and donations

Public contributions and donations 9	1,430,028	-

Conditions still to be met - remain liabilities (see note 15)

Provide explanations of conditions still to be met and other relevant information

25. Other revenue

Other income - (rollup)	2,965,778	3,131,313

Notes to the Financial Statements

Figures in Rand	2016	2015

26. Other income

Fire Levy	887,482	20,171
Sundry Income	28,540	1,773,127
Tender Deposits	391,657	661,259
Refund received	-	2,200
LG Seta	1,388,499	78,637
Insurance Claim	269,600	595,919
	2,965,778	**3,131,313**

27. General expenses

Advertising	479,014	1,159,414
Auditors fees	7,024,294	6,065,227
Bank charges	1,362,750	655,943
Cleaning	170,062	338,284
Computer expenses	-	526,316
Consulting and professional fees	2,866,356	668,306
Consumables	3,685,905	4,527,091
Debt collection	44,799	-
Hire	1,895,199	1,928,656
Insurance	807,559	771,889
Community development and training	4,205,112	-
Conferences and seminars	22,050	19,300
IT expenses	4,090,245	669,734
Marketing	1,904,886	1,571,861
Promotions and sponsorships	20,365	-
Magazines, books and periodicals	100,563	69,158
Pest control	-	20,310
Fuel and oil	3,940,164	3,971,466
Placement fees	196,383	250,482
Printing and stationery	94,960	252,092
Protective clothing	2,483,567	5,264,509
Subscriptions and membership fees	1,185,043	1,450,720
Telephone and fax	6,688,511	5,540,874
Training	3,232,464	2,198,069
Travel - local	12,899,766	11,902,797
Electricity	12,105,932	9,976,816
Accomodation	4,790,976	6,450,298
Audit Committee	388,313	302,225
Catering and Venue Hire	2,943,507	2,724,316
Environmental Management	64,714	199,976
Fire and Rescue Services	317,601	1,504,100
Licence Fees	2,304,173	1,631,110
Occupational Health and Safety	1,175,663	41,105
Other Grant Expenses	875,637	905,380
Other expenses	40,896,079	41,980,063
	125,262,612	**115,537,887**

Notes to the Financial Statements

Figures in Rand	2016	2015

28. Employee related costs

Basic	130,723,240	124,064,377
Bonus	7,478,376	6,504,946
Medical aid - company contributions	6,266,944	5,434,124
UIF	798,547	696,013
SDL	1,500,109	1,356,046
Leave pay provision charge	2,397,617	6,634,924
Defined contribution plans	12,125,352	10,204,534
Overtime payments	4,117,386	3,822,844
Long-service awards	686,354	172,057
Transport allowances	9,497,800	8,875,140
Housing benefits and allowances	7,530,059	6,559,886
Standby Allowances	1,211,778	1,029,510
Shift Allowances	10,615,933	9,369,866
Bargaining Council	40,948	37,744
Defined Benefits : Long Service Awards	501,745	1,499,415
Employment Equity	-	199,500
	195,492,188	**186,460,926**

Remuneration of Municipal Manager

Annual Remuneration	911,055	419,585
Car Allowance	89,231	103,565
Performance Bonuses	53,295	69,440
Contributions to UIF, Medical and Pension Funds	427,244	290,123
	1,480,825	**882,713**

There was no Municipal Manager for 6 months from January 2015 to June 2015. The Senior Manager- Technical Services was acting in place of the Municipal Manager for that period.

Remuneration of Chief Finance Officer

Annual Remuneration	407,576	811,651
Car Allowance	122,386	269,784
Performance Bonuses	88,712	67,399
Contributions to UIF, Medical and Pension Funds	99,752	212,563
	718,426	**1,361,397**

There has been no Chief Finance Officer since 1 January 2016.

Remuneration of Senior Manager - Community Services

Annual Remuneration	884,281	811,650
Car Allowance	133,810	134,085
Performance Bonuses	67,399	33,700
Contributions to UIF, Medical and Pension Funds	367,913	347,303
	1,453,403	**1,326,738**

Remuneration of Senior Manager- Corporate Services

Annual Remuneration	884,281	811,650
Car Allowance	266,490	284,184
Performance Bonuses	67,399	67,399
Contributions to UIF, Medical and Pension Funds	249,128	198,133
	1,467,298	**1,361,366**

Notes to the Financial Statements

Figures in Rand	2016	2015

28. Employee related costs (continued)

Remuneration of Senior Manager -Technical Services

Annual Remuneration	932,359	840,090
Car Allowance	258,500	258,500
Performance Bonuses	62,569	50,550
Contributions to UIF, Medical and Pension Funds	201,044	186,717
Other	-	6,122
	1,454,472	**1,341,979**

Remuneration of Senior Manager -Planning and Economic Development

Annual Remuneration	557,377	811,650
Car Allowance	147,359	285,820
Performance Bonuses	62,569	67,399
Contributions to UIF, Medical and Pension Funds	47,168	198,998
Other	210,010	8,847
	1,024,483	**1,372,714**

29. Remuneration of councillors

Executive Major	484,154	476,556
Mayoral Committee Members	3,041,321	3,257,887
Councillors	4,765,134	4,547,289
Chief Whip	397,036	324,943
	8,687,645	**8,606,675**

30. Litigation expenditure

Administration and management fees - third party	11,483,958	-

The amount above payment was for litiagtion pursued by Kwebi Creative CC against the municipality with reagrd to the unlawful termination of contract.

31. Debt impairment

Debt impairment	22,128,617	8,889,417

32. Investment revenue

Interest revenue		
Call Deposits	11,871,083	19,718,674
Bank	-	250
	11,871,083	**19,718,924**

33. Depreciation and amortisation

Property, plant and equipment	58,708,680	59,373,089

Notes to the Financial Statements

Figures in Rand	2016	2015

34. Finance costs

Finance leases	2,351,024	422,978
Late payment interest	403,111	-
Interest on Loan	1,027,077	1,640,908
	3,781,212	**2,063,886**

35. Auditors' remuneration

Fees	7,024,294	6,065,227

36. Rental of facilities and equipment

Premises		
Premises	232,577	177,116
Venue hire	1,404	6,612
	233,981	**183,728**
Premises	233,981	183,728
Garages and parking	-	-
Facilities and equipment	-	-

37. Contracted services

Professional Services	5,420,636	8,514,882
Sercurity Services	10,296,092	11,489,096
Other Contractors	24,475,871	22,383,910
	40,192,599	**42,387,888**

38. Transfers and subsidies

Other Grants	15,708,621	66,672,261
Free Basic Services	1,061,494	-
Grants In Aid	18,459,567	15,000,289
	35,229,682	**81,672,550**

39. Bulk purchases

Water	5,349,607	4,077,989

Notes to the Financial Statements

Figures in Rand	2016	2015

40. Cash generated from operations

Surplus	392,106,771	332,444,386
Adjustments for:		
Depreciation and amortisation	58,708,680	59,373,089
Gain on sale of assets and liabilities	4,408,099	337,213
Debt impairment	22,128,617	8,889,417
Movements in provisions	1,329,514	3,612,802
Interest received on Outstanding debtors	(9,836,961)	(7,440,709)
Changes in working capital:		
Inventories	156,864	(140,915)
Receivables from exchange transactions	(764,330)	(14,126,155)
Other receivables from non-exchange transactions	33,438	360,264
Payables from exchange transactions	(69,686,917)	83,260,817
VAT	23,751,257	(35,531,532)
Unspent conditional grants and receipts	28,135,441	(3,798,551)
Payables from non exchange transactions	509,515	167,786
	450,979,988	**427,407,912**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	935,975,573
• Other financial assets	-	6,712,479
	-	**942,688,052**

Total capital commitments		
Already contracted for but not provided for	-	942,688,052

Operating leases - Buildings (expense)

Minimum lease payments due		
- within one year	203,865	203,865
- in second to fifth year	1,088,826	1,019,456
- More than 5 years	1,152,157	1,238,136
	2,444,848	**2,461,457**

Operating leases - vehicles		
- within one year	-	988,308

Operating lease - other Equipment		
- within one year	692,900	845,806
- in second to fifth year	-	811,598
	692,900	**1,657,404**

Operating lease payments represent rentals payable by the entity for certain of its office properties. No contingent rent is payable.

Notes to the Financial Statements

Figures in Rand	2016	2015

42. Contingencies

Contingent Liabilities		
Failure to pay for Services Rendered	-	-
In 2006 Malukazi Project Managers issued summons for services rendered in the sanitation programme	1,914,259	1,914,259
Failure to pay for Services Rendered	-	-
In 2008 summons were issued by Affinity Solutions (Pty) Ltd for services rendered. The municipality is defending the matter. A trial date is awaited	313,505	313,505
Failure to claim from Provident Fund	-	-
In 2009 Z Mgwebi issued summons for damages emanating from failure to act by the municipality it being alleged the municipality failed to assist her together with her minor children to claim from the Provident Fund. The matter is defended by the municipality. The matter is now in pleading stage.	1,200,000	1,200,000
Failure to pay for services Rendered	-	-
In this matter summons were issued against the municipality for payment of the sum R115 000 for services rendered it being alleged that the service provider was appointed to render certain services. The matter is being defended.	115,000	115,000
Intervention in execution of Duties	-	-
During 2010 J and G Enterprises issued summons for financial damages it being alleged that the municipality stopped them from performing their contract. The matter is being defended by the municipality. The matter is in pleading stage.	1,541,600	1,541,600
Failure to pay for Services Rendered	-	-
In 2010 3P Consulting sued the municipality for services rendered by the municipality. The matter is in pleading stage	-	468,100
Breach of Contract	-	-
Amangcuse Security and Cleaning was awarded a tender to guard premises at Mt Ayliff but this was cancelled and an offer was made for them to guard premises at Mt Frere which they objected saying it amounted to breach of contract.	-	705,346
Breach of contract of Employment	-	-
In 2010 Zolani Gulwa issued summons against the municipality for breach of contract of employment in that the municipality failed to pay him in trems of of the contract. The municipality is defending the matter and it is pending in the high court. The matter is in pleading stage	566,189	566,189
	-	-
Breach of contract	-	-
Sinezipho Urban and Rural Development claims against the municipality for alleged termination of contract. The municipality is defending the matter	1,544,713	1,544,713
Failure to pay for Services Rendered	-	-
ANDA was mandated to by council to mobilise funding for ANDM water infastructure project. ANDA then entered into an agreement with Gelstalt. Gelstalt has instituted legal procedings against the ANDM and or ANDA. The ANDM legal team is disputing any and all of Gelstalt claim. The above is disclosed in the financial statements without prejudice.	10,899,540	10,898,400
Removal as board member	-	-
Madikizela Renene and Mqedlana vs ANDA and ANDM - Alleged unlawful removal as ANDA board of directors	200,000	200,000
Alleged non payment for services rendered.	-	-
Madodanele C and Mgugudo Vs ANDM . Dispute is in respect of the number of hectares ploughed, the municipality alleging that less hectares were ploughed.	-	180,000
Failure to pay for contracted Services	-	-
During 2007 Jack Zulu issued summons against the municipality for specific performance, it being alleged that he was appointed by the municipality to render services at Umzimkhulu Area (previous dispensation) and the municipality failed to pay him in terms of the contract. The municipality denies that the services were rendered . Pleadings closed and a trial date is awaited.	17,250	17,250
Failure to pay for Goods and Services Rendered	-	-
During 2008 P Mabandla issued summons against the municipality for goods supplied and services rendered to the municipalityat the latters specialinstanceand request. The municipality denies this. Pleadings closed and the trail date is awaited.	6,572	6,572
Failure to pay for Services Rendered	-	-

Figures in Rand	2016	2015

42. Contingencies (continued)

In 2008 M J Phirimane issued summons against the municipality for services rendered. The municiplaity is defending the the matter. A trial date is awaited.	28,200	28,200
	-	-
	-	-
Failure to pay for Goods Delivered	-	-
Rob Potow irrigation issued summons against the municiplity for failure to apy for mterials supplied in terms of a verbal agreement. The municipality is defending the matter.The outcome is not certain at this stage.	24,522	24,522
Alleged loss of profit	-	-
Kwebi Creative cc vs ANDM, alleged loss of profit subseqent to the termination of a contract in respect of the supply and delivery of ductile iron and PVC- U pipes and later the settlement Agreement entered inot.	-	10,989,433
Failure to pay for goods delivered	-	-
Alleged non-payment in lieu of the supply and delivery of tents, toilets, heaters etc for a municipal function. The dispute being that Peranho supplied less quantities contrary to the agreement.	-	128,950
Failure to pay for services rendered	-	-
Ernest Zellhuber vs ANDM, Alleged non - payment in lieu of service rendered.	89,537	-
Failure to pay for services rendered	-	-
Sihlangene financial advisory services cc vs ANDM, Alleged non - payment in lieu of financial services rendered.	235,585	-
Breach of contract	-	-
SLK Sercurity Services and Cleaning vs ANDM, Alleged breach of contract in lieu of sercurity services rendered.	686,619	-
Breach of contract	-	-
Ikamva Lolutsha Nojola vs ANDM, Alleged breach of contract in lieu of supply and delivery of branding material.	40,072	-
Breach of contract	-	-
Hlumie Security vs ANDM, Alleged breach of contract in lieu of sercurity services rendered	577,500	-
Failure to pay for service rendered	-	-
M Magigaba Inc vs ANDM, Alleged non - payment of money in lie of services rendered.	106,682	-
	20,107,345	**30,842,039**

Contingent assets

Default of loan payment	-	-
ANDM vs Sinothando Mtshengu-failure to pay back loans advanced to an employee	62,054	-
Default of loan payment	-	-
ANDM vs Elvin Mkowando Chirwa- failure to pay back loans advanced to an employee	71,731	-
Failure to Deliver Services	-	-
The municiplaity has instituted a claim against MP civils for alleged failure to deliver a crawler sprinkler purchased in terms of a verbal contract. Settlement proposals are in the pipeline and the outcome of the case is still not certain	30,700	30,700
Default of loan payment	-	-
ANDM vs Vukile Selonyane- Default of payment in lieu of loans advanced to an employee	21,322	-
Default on loan payment	-	-
ANDM vs Lulamile Mapholoba- Defaultof payment in lieu of loans advanced to an employee	17,000	-
Default of loan payment	-	-
ANDM vs Mzulungile Luphindo- Default of payment in lieu of loans advanced to an employee	-	21,240
Default of loan payment	-	-
ANDM vs Dumisani Luswana- Default of payment in lieu of loans advanced to an employee	-	90,369
Default of loan payment	-	-

Figures in Rand	2016	2015

42. Contingencies (continued)

ANDM vs Thembile Thomson- Default of payment in lieu of loans advanced to an employee	-	97,616
Accident claim	-	-
ANDM vs Nontuthuzelo Magugu-Claim arising from a Motor Vehicle Accident	6,907	6,907
Accident claim	-	-
ANDM vs Bulelani Airlington Mambi- Claim arising from a Motor Vehicle Accident	1,079	1,079
Claim for Advance Payment	-	-
ANDM vs Theodre Armstrong Rautenbch- Alleged failure to construct Zone Centres as paid for.	-	1,748,053
Default of loan payment	-	-
ANDM vs Thanduxolo Malusi -Default of payment in lieu of loans advanced to an employee	84,328	84,328
Accident claim	-	-
ANDM vs Suti - Claim arising from a Motor Vehicle Accident	20,987	-
	316,108	**2,080,292**

43. Related parties

All Related Party Transactions are conducted at arms length, unless stated otherwise.

Declarations of interests were made by councilors and or management of the municipality of any relationship with business during the year.

In terms of the MFMA, the municipality may not grant loans to its councilors, management, staff and public with effect from 1 July 2004. Loans, together with conditions thereof, granted prior to this date are disclosed in note 7 to the Annual Financial Statements.

The municipality provided a grant to Alfred Nzo Development Agency (ANDA) which is a wholly owned agency. The following are the details of the Grants provided.

Grants to ANDA	Grant Issued 2016	Grant Issued 2015	Total
Grants Issued	18,459,856	15,000,000	33,459,856
Grants Payable	-	1,344,585	1,344,585
TOTAL	**18,459,856**	**16,344,585**	**34,804,441**

44. Prior period errors

The prior year has been amended to account for prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

44. Prior period errors (continued)

Statement of Financial Performance for the year ended 2015	Balance as previously reported	Change in accounting policy	Prior period error	Reclassified	Restated balances
Service charges	18,776,544	-	(10,040)	-	18,766,504
Subtotal	18,776,544	-	(10,040)	-	18,766,504
General expenses	(112,237,862)	-	(3,300,025)	-	(115,537,887)
Bad debts & impairment losses	(13,543,023)	-	4,653,606	-	(8,889,417)
Contracted services	(41,099,645)	-	(1,288,243)	-	(42,387,888)
Depreciation & amortisation	(51,429,966)	-	(7,943,123)	-	(59,373,089)
Employee related costs	(189,602,206)	-	3,141,280	-	(186,460,926)
Finance costs	(1,640,908)	-	(422,978)	-	(2,063,886)
Transfers and subsidies	(79,492,487)	-	(2,180,063)	-	(81,672,550)
Repairs & maintenance	(29,110,993)	-	(1,751,180)	-	(30,862,173)
Grand total	**(499,380,546)**	**-**	**(9,100,766)**	**-**	**(508,481,312)**

Statement of Financial position as at 30 June 2015	Balances as previously reported	Change in accounting policy	Prior period errors	Reclassified	Restated balance
	-	-	-	-	-
	-	-	-	-	-
Cash & bank	73,810,298	-	11,911	-	73,822,209
Receivables from non exchange transactions	22,859,913	-	6,660,867	-	29,520,780
Receivables from exchange transactions	2,047,833	-	(935,658)	-	1,112,175
Long Term Receivables	76,783	-	-	-	76,783
Property Plant and Equipment	,353,670,176	-	13,356,993	-	,367,027,169
Subtotal	,452,465,003	-	19,094,113	-	,471,559,116
Finance lease obligation - current portion	(9,683,377)	-	3,021,602	-	(6,661,775)
Payables from exchange transactions	(167,742,752)	-	(24,888,778)	-	(192,631,530)
Provisions	(17,861,618)	-	3,726,677	-	(14,134,941)
Finance lease obligation - Non current portion	(13,730,686)	-	3,031,189	-	(10,699,497)
Accumulated Surplus Opening Balance	(504,890,121)	-	(8,212,825)	-	(513,102,946)
	,738,556,449	**-**	**(4,228,022)**	**-**	**,734,328,427**

Statement of Financial Performance

Accumulated Surplus	
Correction of bonuses incorrectly calculated in 2014/2015	(199,609)
Correction of bonuses incorrectly calculated 2013/2014	(186,160)
Correction of bonuses incorrectly calculated 2014/2015	27,125
Correction of bonuses incorrectly calculated 2013/2014	9,341
correction of manageers salaries underpaid 2014/2015	48,401
Correction of managers salaries underpaid in 2013/2014	80,219
Correction of managers overpaid in 2014/2015	(166,361)
Correction of managers overpaid 2014/2015	(308,474)
Reversal of income recoginised from billing ANDM properties for 2013/2014	11,484
Correction of bonus provision previously ommitted	2,739,229
Clearing unreconciled items in 2014	(11,911)
Infrasturcture asset adjustment	(5,333,484)
Reversal of accumulated depreciation	(4,922,625)
	(8,212,825)

45. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor and adherence to limits.

Due to the largely non- trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality approach to managing liquidity is to ensure, as far as possible , that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipalities reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

45. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterpart to a financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investments securities. Credit Risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the municipality. The municipality a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterpart are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investments deposits bank and cash balances.

Trade and Other Receivables are amounts owed by consumer and are net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently , the incur debt for rates, water and sanitation services rendered to them. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of provision for impairment.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries in the geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by ' levying of penalty charges', ' demand for payment", restriction services " and , as a last resort, " handover for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection policy.

The municipality limits this risk exposure in the following ways in, addition to its normal credit control and debt management procedures:

The application of section 118(3) of the municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from previous debtor on the same property;

A new owner is advised, prior to the issue of rates clearance certificate, that any debt remaining from previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount:

Encouraging residents to install water management devices that control flow of water to households, and/or prepaid meters.

The requirement of a deposit for new service connections, serving as guarantee

Notes to the Financial Statements

45. Risk management (continued)

The consolidation of rates and service accounts, enabling the disconnecting services for the non payment of any of the individuals debts,in terms the section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2016**	**2015**
Long term investments	39,788,091	89,079,968
Long term receivables	901,431	162,387
Receivables from exchange transactions	27,415,273	22,728,401
Receivables from non exchange transactions	2,967,594	2,047,833
Cash and cash equivalents	27,356,523	73,810,298
Vat receivable	160,155,184	40,581,107

Figures in Rand	2016	2015

45. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest risk consist mainly of fixed deposits investments, long term debtors, other debtors,short term investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterpart is managed by setting percentage exposure limits, which are included in the municipality's investment policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the council.

Consumer debtors comprise of a large number of rate payers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by " levying of penalty charges" 'demand for payment", " restriction of services" and, as a last resort , " handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy

Long term receivables and other debtors are individually evaluated annually at Balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting,where applicable.

46. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

47. Unauthorised expenditure

Unauthorised expenditure	-	126,672,371

48. Fruitless and wasteful expenditure

Opening	643,083	547,466
Fruitless and wasteful expenditure	11,887,069	95,617
	12,530,152	**643,083**

Figures in Rand	2016	2015

48. Fruitless and wasteful expenditure (continued)

Incident		
Interest Paid to Eskom	52,241	43,082
Telkom	36,560	-
Umngeni Water	49	-
Rheochem	6,816	-
	95,666	**43,082**

49. Irregular expenditure

Opening balance	398,629,051	12,140,434
Add: Irregular Expenditure - current year	291,557,221	386,488,617
	690,186,272	**398,629,051**

Details of irregular expenditure – current year

Incident 2	Text 2	-

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA fees)

Current year fee	1,182,599	1,450,070
Amount paid - current year	(1,182,599)	(1,450,070)
	-	**-**

Audit fees

Amount paid - current year	7,024,294	6,350,638

PAYE and UIF

Current year subscription / fee	29,047,482	28,170,310
Amount paid - current year	(27,048,876)	(28,170,310)
	1,998,606	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	28,835,981	27,279,267
Amount paid - current year	(26,283,581)	(27,279,267)
	2,552,400	**-**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

During the year the following councillors had arrear accounts outstanding for more than 90 days

Notes to the Financial Statements

Figures in Rand	2016	2015

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Social crime prevention	-	64,480
Earthmoving equipment repairs	-	897,103
	-	**961,583**

Notes to the Financial Statements

Figures in Rand	2016	2015

51. Suppliers In Service of the State

Section 45	2016	2015
Amabongwe Build And CIvils	-	2,798,882
Ana Odz Multi Traders	-	-
Bunono Besizwe Traders Rural Development	-	-
Cashbuild	-	-
Chola -Chola Construction and o	-	6,500
Coega CorporateTravel	-	-
Coega Development	-	-
Media 24	2,736	26,599
Mt Free Livestock	-	15,000
Consultancy for Business	-	128,600
Informer Newspaper	54,000	54,000
Ngcolosi Consulting Engineers	-	1,119,057
Dokose Construction	167,228	406,628
Mamathule Business Enterprise	-	2,250
Zivele Catering & Catering	18,000	27,650
Wilbat	13,020	5,600
Restoration Development	-	29,600
Tshops Security	1,352,459	1,781,398
Rhuu Constaruction	25,600	2,394,119
Fever Publication	15,612	38,988
Lipota Business Trading	24,000	17,375
Night Shades Trading	-	12,035
Lisafika Trading	-	169,135
Thabile Trading	-	2,184,417
Sisonke Jiv	-	503,532
Afrizona Guest House	-	29,995
Lufizo Trading	-	6,500
Ali Con Trading	-	5,500
Thina Civil Trading	-	6,500
Nkwenkwezi JV	-	334,367
Nkwenkwezi JV	-	150,592
Jasayo Trading	68,000	50,000
Nizas Trading	20,200	70,000
Dlambulo	9,500	3,900
Mafingwa Trading Enterprises	-	73,200
L G Construction	1,521,998	3,056,899
Dohlanga Cateres	31,000	23,245
Black Curl Trading	-	194,807
Pure Originals	4,700	8,900
Nomlala Accountant	9,100	225,975
Afro Vision	-	21,000
Akhayoyo	-	16,500
DXW 092	-	42,008
Thathulu Trading	-	15,645
MPASH Trading	21,000	6,352
Mayekenze	-	13,500
Hazel Miya	28,675	19,500
Real World Security	-	10,496
Dolly Selly	7,000	27,650
Dispatch Media	155,285	857,177
NOD MPE	-	7,500
Lizeka Son	67,995	49,701
Prestige Conferencing	-	198,747
Mbixane Twins	-	3,500
Trveline Leadership	5,000	200,000
Ccpho Trading Enterprises	-	21,500
Nomakhisimsi	14,500	10,000
Clendosi	-	9,150

Notes to the Financial Statements

Figures in Rand	2016	2015

51. Suppliers In Service of the State (continued)

Xolweni	-	158,250
Hlubiz Construction	-	118,900
Dumolwakhe Construction	-	109,605
Sikelala	-	31,900
Alfred Nzo Technologies	-	1,339,764
Alred Nzo Community Radio	-	196,404
Alfred Nzo Community Radio	-	14,000
Izwi le Africa	-	25,000
	3,636,608	**19,485,494**

52. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

53. Decommissioning, restoration and environmental rehabilitation funds

The entity is a contributor to the following fund(s): Fund 1 and Fund 2.

54. Budget differences